

Interest Subsidy Grants (CFDA No. 84.001)

I. Legislation

Higher Education Act (HEA) of 1965, Title VII, and Section 702 (20 U.S.C. 1132a-1) (expires September 30, 1997).

II. Funding History

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Fiscal Year</u>	<u>Appropriation</u>
1969	\$ 3,920,000	1991	\$20,396,000
1970	11,750,000	1992	19,412,000
1975	0	1993	18,869,000
1980	29,000,000	1994	18,029,000
1985	18,775,000	1995	17,512,000
1990	22,449,000	1996	16,712,000

III. Analysis of Program Performance

A. Goals and Objectives

This program is intended to reduce the cost of construction, reconstruction, and renovation of academic facilities by subsidizing the interest costs on privately funded facilities loans.

B. Strategies to Achieve the Goals

Services Supported

Institutions of higher education, and agencies empowered by a state to issue bonds on behalf of higher education institutions, are eligible for interest subsidies. Subsidy grants reduce the interest rate from market levels to 3 percent. The amount of the annual subsidy is the difference between the interest costs actually incurred on loans obtained from nonfederal sources and the subsidized rate of 3 percent.

From FY 1970 through FY 1973, 711 privately secured loans, valued at about \$1.4 billion in principal, were approved for federal interest subsidies. Since FY 1973 no further loans have been approved for subsidization. The subsidy payments have totaled about \$416 million from the program's inception through FY 1996. At the beginning of the FY 1995 year there were 353 outstanding loans receiving subsidy. During the year, 11 loans were paid off, withdrawn, or canceled, leaving 342 loans in active status.

Outstanding loan volume under subsidy continued to decline in FY 1996 as loans were repaid (see Table 1).

Table 1

Annual Interest Subsidy Grants FY 1991 to 1996

	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Total number of outstanding loans receiving subsidy	531	478	424	392	353	342
Total number of loans paid off, withdrawn, or other wise terminated	53	54	32	39	11	34
Average annual amount of interest subsidy grant	\$38,410	\$41,729	\$47,677	\$45,992	\$49,609	\$45,684
Total outstanding volume of loans for which interest subsidies are paid (in millions of dollars)	\$ 958 million	\$554 million	\$463 million	\$444 million	\$427 million	\$367 million

Source: V.1.

Strategic Initiatives

To limit federal costs, institutions and agencies are now required to demonstrate that their nonfederal loans were obtained at the lowest possible interest costs.

C. Program Performance—Indicators of Impact and Effectiveness

Indicators are being developed. See also Office-Wide Performance Indicators for the Office of Postsecondary Education displayed in the Overview (OPS) to the postsecondary education programs.

IV. Planned Studies

None.

V. Sources of Information

Program files.

VI. Contacts for Further Information

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